

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05  
L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15  
STR-06 TRSE-00 ACDA-12 EA-10 FRB-03 IO-13 NEA-10  
OPIC-03 LAB-04 SIL-01 AGRE-00 NSCE-00 SSO-00  
USIE-00 INRE-00 /148 W

-----118240 111644Z /45

O 111600Z JAN 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 4115

LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 00856

USOECD

E.O.11652: NA  
TAGS: ENRG OECD  
SUBJECT: IEA/GB - SEQ ISSUES

1. MISSION HAS RECEIVED FOLLOWING LETTER FROM SEQ  
CHAIRMAN LE CHEMINANT:

BEGIN TEXT

AMENDMENTS TO THE EMERGENCY MANUAL

WHEN THE GOVERNING BOARD FAILED TO REACH AGREEMENT ON  
CERTAIN SUGGESTED AMENDMENTS TO THE EMERGENCY MANUAL AT  
ITS MEETING ON 19/20 SEPTEMBER 1977 IT INVITED THE SEQ  
TO CONSIDER THE MATTER FURTHER WITH A VIEW TO A FINAL  
GOVERNING BOARD DECISION AT THE 6 DECEMBER 1977 MEETING.  
IN THE EVENT THIS LATTER MEETING WAS OF A LIMITED NATURE  
CONCERNED ONLY WITH "HOUSEKEEPING" ITEMS. SUBSEQUENT  
DISCUSSION IN SEQ HAS SHOWN A WIDE, BUT NOT COMPLETE,  
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MEASURE OF AGREEMENT AND I AM THEREFORE PUTTING THIS  
REPORT FORWARD TO THE GOVERNING BOARD ON A PERSONAL  
BASIS.

2. THERE ARE NOW THREE PROPOSALS FOR AMENDMENT OF THE  
EMERGENCY MANAGEMENT MANUAL READY FOR DECISION. THESE  
ARE:

(A) AN AMENDMENT DESIGNED TO REMOVE A BASIC ARITHMETICAL INCONSISTENCY IN THE TREATMENT OF DATA ON IEP GROUP COUNTRIES IMPORTS AND EXPORTS FOR THE PURPOSES OF THE ALLOCATIONS SYSTEM. (ITEM (C) ON PAGE (IV) OF ANNEX I TO IEA/GB(77)35). THERE IS NO DISPUTE BETWEEN PARTICIPATING COUNTRIES ON THE TECHNICAL MERITS OF THIS AMENDMENT.

(B) AN AMENDMENT OF THE TREATMENT OF DEMAND RESTRAINT IN ALLOCATION CALCULATIONS DESIGNED TO TAKE ACCOUNT OF THE FACT THAT NORMAL SUPPLIES WOULD CONTINUE TO ARRIVE IN MEMBER COUNTRIES FOR SOME 3 WEEKS AFTER A SUPPLY INTERRUPTION AT SOURCE. (ITEM (B) ON PAGE (IV) OF ANNEX I TO IEA/GB(77)35). THERE IS NO DISPUTE BETWEEN PARTICIPATING COUNTRIES ON THE TECHNICAL MERIT OF THIS AMENDMENT.

(C) A WIDE RANGE OF "EDITORIAL" AMENDMENTS DESIGNED TO BRING THE MANUAL UP TO DATE (GIVEN IN IEA/GB(77)55). THESE AMENDMENTS WERE CONSIDERED BY THE SEQ AT ITS MEETING ON 27 SEPTEMBER 1977 AND APPROVED SUBJECT TO A FEW POINTS OF DETAIL WHICH HAVE SUBSEQUENTLY BEEN SORTED OUT BETWEEN THE SECRETARIAT AND THE PARTICIPATING COUNTRIES ON THE TECHNICAL MERITS OF THESE AMENDMENTS.

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3. AS ALREADY INDICATED THERE IS NO DISPUTE ABOUT THE MERITS OF THE AMENDMENTS REFERRED TO ABOVE. HOWEVER AT THE MEETING OF THE GOVERNING BOARD ON 19/20 SEPTEMBER 1977 THE ITALIAN DELEGATION WAS UNDER INSTRUCTION TO RESERVE ITS POSITION ON THE AMENDMENTS AT PARAS 2(A) AND 2(B) PENDING A SOLUTION TO THE ISSUES DISCUSSED BELOW. THE ITALIAN DELEGATION AT THE SEQ MEETING ON 27 SEPTEMBER DID NOT HOWEVER EXTEND THEIR RESERVE TO THE AMENDMENTS DISCUSSED AT 2(C) ABOVE.

4. MY UNDERSTANDING THEREFORE IS THAT THE GOVERNING BOARD CAN, AT ITS MEETING IN JANUARY, ADOPT WITHOUT DISSENT THE AMENDMENTS TO THE MANUAL REFERRED TO IN 2(C) ABOVE AND SET OUT IN DETAIL IN IEA/GB(77)55. THE AMENDMENTS REFERRED TO IN PARAS 2(A) AND 2(B) ARE LIKEWISE READY FOR IMMEDIATE ADOPTION IF THE ITALIAN DELEGATION LIFTS ITS RESERVE. IF THE ITALIAN DELEGATION IS UNABLE TO DO THIS, AND GIVEN THAT THERE IS NO TECHNICAL LINK BETWEEN THESE AMENDMENTS AND THE DISPUTED PRICING ISSUE, THE GOVERNING BOARD WILL NEED TO DECIDE ITS PREFERRED COURSE OF ACTION.

5. THIS LEAVES TWO ISSUES. THESE ARE:

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O 111600Z JAN 78  
FM AMEMBASSY PARIS  
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(A) THE HANDLING OF PRICE DISPUTES DURING AN  
EMERGENCY WHERE SUCH DISPUTES MIGHT INTERFERE WITH THE  
ALLOCATION MECHANISM.

(B) IEA MACHINERY FOR MONITORING OIL PRICES IN AN  
EMERGENCY: THE ITALIAN PROPOSAL FOR AN EXTENSION TO THE  
PRICE DATA BASE AVAILABLE TO THE AGENCY IN AN EMERGENCY.

6. ON THE FIRST PRICE ISSUE - WHICH IS CONCERNED ESSEN-  
TIALY THOUGH NOT EXCLUSIVELY WITH THE ADVISORY ROLE OF  
THE LEA ALLOCATION COORDINATOR IN THE SETTLEMENT OF  
DISPUTES - A TEXT AGREED BY MOST DELEGATIONS IS IN ITEM  
A IN ANNEX I TO IEA/GB(77)35. PRIOR TO AND AT THE MEET-  
ING OF THE GOVERNING BOARD IN SEPTEMBER THIS TEXT WAS  
SUBJECT TO RESERVATION BY FIVE DELEGATIONS. HOWEVER THE  
RESERVATIONS OF THE JAPANESE AND GERMAN DELEGATIONS HAVE  
BEEN WITHDRAWN; THE TURKISH DELEGATION HAS INDICATED  
THAT IT CAN ACCEPT THE PRESENT TEXT SUBJECT TO THE INCLU  
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SION IN THE RELEVANT GOVERNING BOARD MINUTES OF AN EXPLANATORY NOTE OF THE TURKISH POSITION; AND THE NORWEGIAN DELEGATION HAS A SPECIAL POSITION DERIVING FROM THAT COUNTRY'S RELATIONSHIP WITH THE AGREEMENT AS A WHOLE. A SOMEWHAT REVISED TEXT WAS CIRCULATED IN NOVEMBER BY THE SECRETARIAT IN AN ATTEMPT TO REACH A COMPROMISE ON THE ITALIAN RESERVATION BUT THIS RAISED FURTHER DIFFICULTIES FOR ONE DELEGATION. THE ITALIAN RESERVATION IS MAINTAINED ESSENTIALLY ON TWO GROUNDS:

(A) THAT THE PROPOSAL CONTAINED IN THE TEXT THAT ANY PARTY TO A PRICING DISPUTE CAN APPEAL TO THE ALLOCATION COORDINATOR FOR ADVICE ON WHAT WOULD CONSTITUTE A JOINT SETTLEMENT OF THE DISPUTE OPENS UP THE POSSIBILITY THAT AN OIL COMPANY OR OIL IMPORTER COULD APPEAL TO THE COORDINATOR AGAINST AN ACT OF THE ITALIAN GOVERNMENT. THIS RAISES DIFFICULT LEGAL AND CONSTITUTIONAL ISSUES FOR THE ITALIAN GOVERNMENT.

(B) THAT THE DATA BASE ON OIL PRICES LIKELY TO BE AVAILABLE TO THE COORDINATOR IN A PRICING DISPUTE IS INADEQUATE AND CAN ONLY BE MADE ADEQUATE IF ADDITIONAL PRICE MONITORING ARRANGEMENTS ARE MADE. MOST OTHER DELEGATIONS TAKE THE VIEW THAT THE DATA BASE ALREADY ENVISAGED FOR THE COORDINATOR IS LIKELY TO BE SUFFICIENT FOR HIM TO PERFORM AN ADVISORY FUNCTION, AND TO ENABLE THE IEA TO CARRY OUT MONITORING OF OIL PRICES IN A CRISIS. ON THIS POINT SEQ HAS SET UP A WORKINGGROUP(DENMARK, ITALY, NETHERLANDS, UK) TO EXAMINE THE IMPLICATIONS OF THE ITALIAN PROPOSAL. IT HAS NOT MET YET.

7. THE ITALIAN POSITION HAS BEEN THAT EVENIF THEIR OBJECTIONS UNDER 6(A) ABOVE COULD BE MET THEY WOULD BE UNLIMITED OFFICIAL USE

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WILLING TO LIFT THEIR RESERVATION ON THIS ITEM BECAUSE IN THEIR VIEW IT IS LINKED INDISSOLUBLY TO THE POINT AT 6(B). UNTIL THEY SEE FURTHER SIGNS OF PROGRESS ON THE LATTER THEY HAVE BEEN UNABLE TO AGREE.

8. HOWEVER AT THE SEQ MEETING ON 27 SEPTEMBER WE EXPLORED AN ALTERNATIVE COURSE FOR USE IF IN THE EVENT IT WAS NOT POSSIBLE IN THE GOVERNING BOARD TO AGREE TO THE DETAILED TEXT IN ITEM A IN ANNEX I TO IEA/GB(77)35. THIS LED TO AGREEMENT BY ALL DELEGATIONS THAT THERE WERE 3 MAIN ELEMENTS IN THE DRAFT TEXT TO WHICH SEQ COULD

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SUBSCRIBE; THESE WERE:

(A) AS FAR AS POSSIBLE, PRICE DISPUTES SHOULD NOT  
BE REFERRED TO THE AGENCY DURING AN EMERGENCY;

(B) HOWEVER IN PARTICULARLY DIFFICULT CASES THE  
IEA ALLOCATION COORDINATOR MIGHT HAVE A USEFUL ROLE IN  
GIVING ADVICE TO PARTIES IN A PRICE DISPUTE IN THE IN-  
TERESTS OF EXPEDITIOUS AND AMICABLE SETTLEMENT AND SO AS  
TO MINIMIZE HINDRANCE TO THE WORKING OF THE OIL  
ALLOCATION ARRANGEMENTS; AND

(C) WHENEVER A PRICE DISPUTE OCCURRED UNDISPUTED  
AMOUNTS OF MONEY SHOULD BE PAID WHEN DUE, AND DISPUTED  
MONEY SET ASIDE WITH A NEUTRAL THIRD PARTY PENDING SET-  
TLEMENT; SUCH A PROCEDURE WOULD HELP TO SECURE THE  
TIMELY RESOLUTION OF PRICE DISPUTES.

9. I RECOMMEND THEREFORE THAT IF THE GOVERNING BOARD  
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CANNOT REACH AGREEMENT ON THE ADOPTION OF THE FULL TEXT  
IN ITEM A IN ANNEX I TO IEA/GB(77)35, IT SHOULD AGREE  
THAT THE 3 PRINCIPLES SET OUT IN PARAS 8(A), (B) AND (C)  
ABOVE SHOULD BE ADOPTED AS GUIDELINES FOR ACTION BY GOV-  
ERNMENTS, OIL COMPANIES AND THE IEA ALLOCATION COORDINA-  
TOR IN DEALING WITH OIL PRICING DISPUTES IN AN EMERGENCY  
AND SHOULD BE INCORPORATED IN CHAPTER C.1. (ALLOCATION  
PRINCIPLES) OF THE EMERGENCY MANAGEMENT MANUAL.

END TEXT  
SALZMAN

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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